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FARM AND HOME FINANCIAL PROGRAM DURING THE WAR AND POST-WAR PERIODS

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"The financial welfare of farm people in the next two decades depends to a great extent on the wise utilization of the higher farm incomes of the present war period." The truth and importance of Dr. Myers' statement of last year are brought out by the Bureau of Agricultural Economics' Summary Comparison of Realized Cash Incomes for Pre-War and the Last Three Years, which was distributed earlier in the conference.

	Billion dollars
1935-39 average	4.5
1941	6.3
1942	9.5
1942 (estimate)	12.5
1943 forecast	13.6

By far the biggest expenditure of farmers is for production expenses. Out of their realized farm income, family living represents the biggest outlay. The savings, which are usually very small, are now important. The Chicago Federal Reserve District has given us a survey report showing that farm families are using the increase in their incomes as follows:

	Percent
To pay off short- and long-time debts	42
To buy war bonds	13
Bank deposits	32
Currency	8
Other	5

That a heavy percentage is applied to debts is borne out by the following reduction in Federal Land Bank and Land Bank Commissioner loans through principle payments of all kinds.

	Million dollars
1941	205
1942	303
1943 ......for first 9 months	

The reduction in mortgages to other lenders has been greater than the new loans made by Federal Land Banks and Land Bank Commissioners, so the net reduction has been greater than these figures. The present total mortgage debt is about 6 billion dollars. The short-time debt reduction is also very large, but much of this is offset by new farmers' borrowings.

The 5 billion dollars which farmers now have in bank deposits, their part of "the liquid dynamite of inflation," is not dangerous as long as the farmers do not try to spend it for goods or farms, but the number buying land is much larger than before the war years.

Land values have risen 23 percent above pre-war, a very rapid rise that is continuing and may be getting dangerous. The efforts to control the rise have been limited to the following:

1. Educational efforts by the Extension Service, the Bureau of Agricultural Economics, the Farm Credit Administration, and others.

2. Voluntary credit control by the major lending agencies under the guidance of the Mortgage Credit Committee with Governor Black of the FCA as chairman. Discussion is going on as to -

3. Imposing a special tax on capital gains from land sales to restrain speculative buying.

These three prosperous years have improved the farm operator's ownership position (equity in his land) by the following:

1. Making the part he owns more valuable.

2. Payments on the mortgages he owes.

3. Purchase of farms held by corporations.

The purchase of farms by nonfarmers, often nonresidents, is working in the opposite direction and in a few places is already increasing the number of tenants.

The prospects are that after the war there will be an even greater number of farms transferred because:

1. Many farmers are old and willing to sell.

2. Many industrial workers and returned soldiers will want to become farmers.

3. Credit is available at low interest rates.

If these purchasers buy at high prices, they may lose their investments or be burdened with debt for life. The only other land to be bought will be some Army land to be sold and a limited amount of newly irrigated land.

The land banks have recently announced that beginning with July 1, 1944, the interest rate on all loans through national farm loan associations will be reduced to 4 percent and on direct loans to 4½ percent. No farmer will longer need to fear a return to the higher rate at which he got the loan. The saving to the Federal Government on the appropriation for reduction in interest will be about 20 million dollars. Over half the land banks are also restoring the solvency of all national farm loan associations. This means that all borrowers

from those banks who have already paid off their loans, or will do so in the future, will get the par value of their stock.

The lending units of the Farm Credit Administration are now being assessed to pay four-fifths of the costs of supervision, relieving the Government of most of this expense.

The placement of young men starting farming, particularly industrial workers and returned soldiers, is one of the big post-war problems. One suggestion is to set up a county committee to include representatives from all farm organizations and agricultural agencies working in the county, a banker, a real-estate dealer, and the veterans' organizations. Such a committee could be subdivided into three or more subcommittees on:

1. Finding farms for rent or purchase (sometimes places for laborer or manager).

2. Credit advice and contacts.

3. Contact or finding the young man needing assistance.

This committee would need to make use of the land use planning data and in counties continuing that work might be affiliated with it. As another means for education on land values, Carl Malone of Iowa proposes holding county meetings of leaders, including farmers, at which an appraisal of a typical local farm not on the market would be made. This value would be established on the basis of long-time debt paying ability with an assumed price level (probably the normal used by the Federal Land Banks) and would serve as a bench mark to point out dangers of high prices for land bought on mortgages.